

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02
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FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC PRIORITY 8854
INFO AMEMBASSY BRUSSELS
URTALB/AMCONSUL LUBUMBASHI 8383
AMCONSUL BUKAVU POUCH

C O N F I D E N T I A L KINSHASA 2869

E.O. 11652: N/A
TAGS EAID, EFIN, CG, BE, US
SUBJ: DISCUSSIONS OF ECONOMIC ISSUES WITH GOZ MINFIN AND CNETRAL
BANK GOVERNOR

REF: STATE 62874

1. MAR 23, AMB AND ECONOMIC COUNSELOR HAD LENGTHY SEPARATE CONVERSATIONS WITH CENTRAL BANK GOVERNOR BOFOSSA AND MINFIN EMONY.
HIGHLIGHTS OF BOTH CONVERSATIONS FOLLOW:

2. MOBUTU PLAN: GOZ, WITH ASSISTANCE OF BELIGANS, IS STILL IN PROCESS OF PREPARING MOBUTU PLAN. ESSENTIALLY, EFFORTS HAVE BEEN AND ARE BEING MADE TO DEVELOP A CONCISE PLAN FOCUSED UPON IMMEDIATE PROBLEMS. GOZ STILL ENVISAGES THAT BELGIUM WILL PLAY COORDINATING ROLE IN ATTEMPTING TO SOLICIT ASSISTANCE FROM PROSPECTIVE DONORS. PROSPECTIVE DONORS CONFERENCE MAY BE HELD IN BRUSSELS IN LATE APRIL, BUT PLANS ARE NOT YET DEFINITE. HOWEVER, ONCE COMMITMENTS HAVE BEEN MADE BY DONORS, RESOURCES WILL BE CHANNELED THROUGH OR COORDINATED WITH IBRD.

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3. EXPATRIATES IN KEY POSITIONS: THE GOZ HAS FORMALLY REQUESTED THAT THE IMF PROVIDE A DIRECTOR GENERAL FOR THE CENTRAL BANK AND THE IMF HAS AGREED IN PRINCIPLE TO DO SO. GOZ ENVISAGES THAT A TEAM OF APPROX EIGHT EXPATRIATES, HEADED BY DIRGEN, WILL BE PLACED IN KEY POSITIONS IN CENTRAL BANK. NOT ALL MEMBERS OF TEAM WILL NECESSARILY BE SUPPLIED BY IMF. SOME MAY BE FURNISHED BY BELGIAN AND PERHAPS ALSO FRENCH GOVT. GOZ WILL FURNISH TO IMF

DESIRED QUALIFICATIONS FOR DIRGEN AND IMF WILL PROPOSE CANDIDATE. IN SELECTION OF DIRGEN GOZ WILL CAREFULLY CONSIDER SUCH FACTORS AS NATIONALITY, ABILITY TO SPEAK FRENCH, AS WELL AS TECHNICAL EXPERTISE. GOZ AND IMF TOGETHER WILL DECIDE AUTHORITY OF EXPERT TEAM. GOZ CONTEMPLATES THAT IMF MISSION HEADED BY TENCONI, WILL ARRIVE ZAIRE SHORTLY TO DISCUSS PLACEMENT OF THESE EXPERTS IN CENTRAL BANK.

4. IMF STANDBY: AMB STRESSED IMPORTANCE OF EARLY CONCLUSION OF IMF STANDBY. GOZ OFFICIALS AGREED AND STATED THEY EXPECTED STANDBY TO BE CONCLUDED IN NEAR FUTURE. THEY SAID GOZ NOW HAS MOST OF DATA WHICH WAS NOT AVAILABLE WHEN IMF TEAM VISITED ZAIRE IN JANUARY. GOZ HAS PROPSD THAT IMF TEAM ARRIVE FIRST WEEK OF APRIL TO NEGOTIATE STANDBY, BUT SPECIFIC DATE HAS NOT YET BEEN SET.

5. INGA SHABA: AMB STRESSED IMPORTANCE THAT GOZ MAKE PAYMENTS IN ACCORDANCE WITH BOFOSSA-LENTZ LETTER. BOFOSSA REPLIED THAT GOZ HAD DECIDED THAT WORK ON LINE SHOULD BE ACCELERATED SO IT COULD BE COMPLETED AT LEAST POSSIBLE COST. THUS HE HAD GIVEN LETTER TO LENTZ OUTLINING PAYMENT SCHEDULE. AMB REFEREED TO BOFOSSA'S ASSURANCE LAST WEEK THAT MARCH PAYMENT WOULD BE MADE SHORTLY AND ASKE D WHERE MATTER STANDS. BOFOSSA INDICATED THERE WAS DELAY IN PROCESSING PAPER THROUGH AGENCIES INVOLVED IN MAKING PAYMENT, BUT THIS WAS PURELY ADMINISTRATIVE. IT WAS AGREED THT AMB WOULD CHECK AGAIN ON MATTER BEFORE END OF WEEK, BY WHICH TIME BOFOSSA THOUGH CONFIDENTIAL

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MATTER WOULD BE STRAIGHTENED OUT. BOFOSSA INDICATED THAT PAYMENT BEING CURRENTLY PROCESSED WILL BE FOR PORTION OF ARREARAGES OWED EXIM. AMB STATED THT PAYMENT OF ARREARAGES DUE EXIM IS IMPORTANT BUT EQUALY IMPORTANT IS PAYMENT OF 15 PERCENT DOWN PAYMENT UNDER NEW LOAN, AND, ACCORDING TO BOFOSSA-LENTZ LETTER, FIRST INSTALLATION OF 2.4 MILLION IS TO BE MADE IN MARCH. AMB GAVE BOFOSSA ADDRESS AND BANK ACCOUNT NUMBER TO WHICH INSTALLMENT PAYMENTS SHOULD BE MADE.

6. LONDON BANK AGREEMENT: BOFOSSA STATED TAT GERMANCOMMERCE BANK HAS AGREED TO PROVIDE \$6MILLION FOR CONTEMPLATED SYDICATED LOAN WHICH NOW TOTALS APPROX \$218MILLION. BOFOSSA INTENDS TO LEAVE KINSHASA THIS WEEKEND FOR SIGNING STILL CONTEMPLATED MAR 31 IN LONDON. BOFOSSA NOTED TOUGHT THAT HE HAD RAISED A PROBLEM WHICH MIGHT DELAY SIGNING. HE NOTED THAT ONE CONDITION FOR DISBURSEMENT OF THE LOAN IS THAT GOZ BE CURRENT ON PAYMENTS OWED TO SYNDICATED BANKS. TOTAL OF PAYMENTS TO BE MADE ARE NOW APPROX \$150MILLION WHERE-AS BIS BLOCKED ACCOUNT IS ONLY \$85MILLION. UNDER PRESENT TERMS, GOZ WILL BE ELIGIBLE TO DRAW DOWN 60 PERCENT OF LOAN DURING FIRST NINETY DAYS. BOFOSSA HAS PROPOSED THAT GOZ PAY \$85MILLION IN BLOCKED ACCOUNT TO BANKS UPON SIGNING OF AGREEMENT AND PAY REMAINING \$65MILLION OVER FOUR-MONTH PERIOD. IF SUCH PAYMENTS

ARE NOT MADE, THE GOZ WILL NOT BE PERMITTEED TO DRAW DOWN
REAMAINING 40 PERCENT OF BANK LOAN. HE ALSO PROPOSED THAT GOZ
BE PERMITTED TO DRAW DOWN 60 PERCENT UPON PAYMENT OF \$85 MILLION
NOW IN BIS ACCOUNT.

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